



TAX CREDIT FOR PROPANE USED IN FORKLIFTS

Beginning October 1, 2006, propane used in forklifts is eligible for a 50-cent-per-gallon federal motor fuel tax credit. The credit runs through September 30, 2009, and could be extended. Alternative Fuels Research & Education Division (AFRED) has prepared the following Q&A for marketers and forklift operators:

1. Who files for the tax credit for propane used in forklifts?

In most cases, the customer files. Under IRS rules, the entity that buys the fuel and loads the propane cylinders onto the forklifts is considered the Alternative Fueler and is eligible to file for the credit.

2. What IRS forms are needed to claim the credit?

Each entity wishing to claim the credit must register by filing IRS Form 637. A sample Form 637 is available at www.propane.tx.gov. Once approved, the IRS will issue a 637 number with "AL" at the end, indicating IRS authorization to file as an alternative fueler.

Forklift operators that are not government entities claim the tax refund on their income tax return at the end of the year.

State and local government entities submit Form 8849, "Claim for Refund of Excise Taxes," on the gallons they use in a forklift or motor vehicle. They can file quarterly, as long as they claim a credit of \$750 or more on each filing.

3. Where do I obtain the forms?

You can download the forms at www.irs.gov. You can view a sample completed Form 637 on AFRED's web site, www.propane.tx.gov.

4. What happens if my tax credit is higher than my income tax owed?

If your business doesn't have enough tax liability, the remainder of the credit is issued as a refund.

5. How long do I have to file for the credit?

The credit must be claimed within three years following the close of the year the claim occurred.

6. Can I still claim the credit if the forklift is used for personal, rather than business use?

No. Use of the propane forklift must be associated with a trade or business activity.

7. Is there a limit to the amount I can claim?

No. You must have on file proper documentation of the propane purchased and used in the forklift during the period of the claim.

For more information about the propane motor-fuel excise tax credit, contact Heather Ball, Railroad Commission of Texas, at (512) 463-7359 or e-mail heather.ball@rrc.state.tx.us.



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